



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

Using U.S. Postal Service-Specific Assumptions for Calculating the Civil Service Retirement System Liability

Report Number FT-MA-13-023

BACKGROUND:

The Civil Service Retirement System is a pension program offered to employees of the U.S. Postal Service and federal agencies. The Postal Service and its employees contribute to the pension program for future benefits. The U.S. Office of Personnel Management administers the Civil Service Retirement System.

As of September 30, 2012, the Office of Personnel Management projected an \$18.7 billion Civil Service Retirement System unfunded liability. The U.S. Postal Service Office of Inspector General previously analyzed Postal Service funding levels and compared them to federal and state governments, the military, and corporations. Those comparisons supported that the Postal Service funded its retirement liabilities at a substantially higher level than the other organizations.

Our objective was to review the assumptions used for the Postal Service's Civil Service Retirement System liability calculation and determine what effect those assumptions may have on the Civil Service Retirement System liability calculation estimate.

WHAT THE OIG FOUND:

Postal Service employees have distinguishing employee characteristics (salary growth and life expectancy) that the Office of Personnel Management does not take into consideration when applying actuarial assumptions. These characteristics, as well as other non-employee factors, impact the Civil Service Retirement System liability calculation. Currently, the Office of Personnel Management uses the same actuarial assumptions for Postal Service and federal employees without regard to the characteristic differences between them.

If the Civil Service Retirement System liability was calculated using Postal Service-specific assumptions, the liability could be reduced by \$1.3 billion, from \$209.9 billion to \$208.6 billion, and the Postal Service could achieve a more accurate liability estimate that more closely aligns with future benefits.

WHAT THE OIG RECOMMENDED:

We recommended management coordinate with the Office of Personnel Management to modify the future Civil Service Retirement System liability calculation to use actuarial assumptions specific to the Postal Service.